

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2812 - SB 2707

March 3, 2022

SUMMARY OF BILL: Authorizes the establishment of industrial development corporations (IDCs) operated solely to assist and benefit certain businesses. Requires the Department of Economic and Community Development (ECD) to fund 100 percent of all reasonable costs related to the creation of IDCs for a period of five years. Requires that all reasonable operating costs related to staffing and operational expenditures be fully reimbursed by ECD or the local government within which the IDC operates for a period of four years. After that time period, ECD and local governments are encouraged to provide financial assistance and required to provide financial support as directed by the General Assembly.

FISCAL IMPACT:

Increase State Expenditures –

Exceeds \$428,700/FY22-23 and Subsequent Years/

Department of Economic and Community Development

Other Fiscal Impact – There will be a total recurring increase to expenditures exceeding \$413,707 per industrial development corporation established in FY23-24 and subsequent years. It is unknown what percentage of these costs will be paid by Department of Economic and Community Development or mandated to be paid by the local governing body. Any increase in local revenue as a result establishment of an industrial development corporation cannot reasonably be determined.*

Assumptions:

- The proposed legislation authorizes the establishment of IDCs operated solely to assist and benefit minority-owned, locally-owned, women-owned, and small businesses.
- Pursuant to Tenn. Code Ann. § 7-53-201, no corporation may be formed unless an application is first filed with the governing body of the municipality and the governing body has adopted a resolution.
- The proposed legislation authorizes the establishment of IDCs operated solely to assist and benefit minority-owned, locally-owned, women-owned, and small businesses. As the process for establishment of IDCs already exists in code, there is estimated to be no significant impact to local government as a result of the proposed legislation.
- The proposed legislation requires ECD to fund 100 percent of all reasonable costs related to the creation of IDCs for a period of five years and requires that all reasonable

HB 2812 - SB 2707

operating costs related to staffing and operational expenditures be fully reimbursed by ECD or the local government within the IDC operates for a period of four years.

- Based on information provided by ECD, it is assumed that any newly established IDC as a result of the proposed legislation will require four positions (1 Executive Director position, 1 Administrative Assistant position, and 2 Program Coordinator positions) beginning in FY22-23.
- There will be a recurring increase in state expenditures of \$376,719 $\{[(\$104,004 \text{ salary} + \$24,201 \text{ benefits} + \$2,000 \text{ travel and training}) \times 1 \text{ Executive Director position}] + [(\$50,004 \text{ salary} + \$15,232 \text{ benefits} + \$2,000 \text{ travel and training}) \times 1 \text{ Administrative Assistant position}] + [(\$69,216 \text{ salary} + \$18,423 \text{ benefits} + \$2,000 \text{ travel and training}) \times 2 \text{ Program Coordinator positions}]\}$ in FY22-23 and subsequent years.
- An IDC will also incur an annual operation cost of \$36,988 (\$12,000 utilities + \$5,000 printing and duplication + \$1,100 communications + \$2,400 supplies and materials + \$16,488 rent).
- There will be a one-time increase in state expenditures in FY22-23 of \$12,000 for equipment and supplies and \$3,000 (10 hours of work x \$300 per hour) for initial legal fees.
- The cost of expenditures to the state is dependent on the number of IDCs established as a result of the proposed legislation.
- With the assumption that at least one IDC is formed, there will be an increase to state expenditures exceeding \$428,707 (\$413,707 + \$12,000 + \$3,000) in FY22-23.
- The proposed legislation provides that either ECD or the governing body of the local government within which the IDC operates shall reimburse the IDC for all reasonable costs related to staffing and operational expenditures for a period of four years.
- There will be an estimated recurring increase to expenditures exceeding \$413,707 (\$376,719 + \$36,988) in FY23-24 and subsequent years. It is unknown what percentage of these costs will be paid by ECD or mandatorily paid by the local governing body.
- Pursuant to Tenn. Code Ann. § 7-53-308, an IDC shall be a nonprofit corporation and any net earnings of the corporation shall be paid to the municipality. Due to unknown factors such as the number of IDCs established as a result of the proposed legislation and any net earnings for such and IDC, any increase to local revenue cannot be reasonably estimated.
- The extent and timing of any future funding requirements directed by the General Assembly is unknown; therefore, any impact to state or local expenditures cannot be reasonably determined.

IMPACT TO COMMERCE:

Increase State Jobs – The proposed legislation will result in an increase of four jobs per industrial development corporation established.

Assumptions:

- Pursuant to Tenn. Code Ann. § 7-53-308, an IDC shall be a nonprofit corporation and any net earnings of the corporation shall be paid to the municipality. Therefore, there is no significant impact on commerce in the state.
- Passage of the proposed legislation will result in increase of four jobs in Tennessee per IDC established.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/mp